




## THE CITY OF SAN DIEGO

DATE: March 3, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Monthly City Auditor Activity Report – February 2009**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of February 2009. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- February 2, 2009 – Stephen Gomez, Principal IT Auditor for the Office of the City Auditor, passed the Certified Information Systems Auditor (CISA) exam. Earning the CISA designation distinguishes individuals as qualified information system audit, control and security professionals.
- February 9, 2009 – The Office of the City Auditor hired Sonja Thorington as a Principal Auditor. Our Office has entered into a Service Level Agreement with the Water and Metropolitan Wastewater Departments to fund a position to conduct audits of these public utilities, and Sonja will be performing audits to fulfill this agreement. Sonja has almost three years of audit experience, which includes serving as an Auditor Evaluator II with the Bureau of State Audits (California State Auditor) and working for the City of Los Angeles Office of the Controller as an Internal Auditor in their Performance Audit Division. Sonja has a Masters Degree in Public Policy from Pepperdine University and she is currently preparing to become a Certified Internal Auditor.
- February 23, 2009 – Issued a Hotline Report regarding our investigation of an allegation that the Water Department is performing duplicate and unnecessary replacement work of meter boxes. The allegation was substantiated and corrective actions have been taken. The Hotline Report can found on our website at:  
[http://www.sandiego.gov/auditor/pdf/hotlinememo\\_watermeterbox.pdf](http://www.sandiego.gov/auditor/pdf/hotlinememo_watermeterbox.pdf)

**Audit Reports and Accomplishments (Continued):**

- February 27, 2009 – Issued audit of Central Stores Inventory. The San Diego Municipal Code requires an audit of the City’s storeroom inventory be performed annually. Based on our audit testing, we found the physical inventory count has improved from the prior year. However, write-offs of missing inventory have increased and obsolete inventory has not decreased significantly. We also found that control weaknesses exist over distribution and accounting for inventory. We have made seven recommendations to improve the monitoring and controls over storeroom inventory. The report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/centralstoresinventoryauditreport.pdf>
- February 27, 2009 – At the request of the Audit Committee, Sjoberg Evashenk Consulting, Inc. submitted a proposal regarding the feasibility and associated costs to issue an audit report regarding the “selection and reporting” of the chief executive of the Centre City Development Corporation. The consultant’s proposal provides two alternatives for the Audit Committee’s consideration. The proposal can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/ccdc\\_auditscope.pdf](http://www.sandiego.gov/auditor/pdf/ccdc_auditscope.pdf)

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Proposition 64 Funds Audit</b>	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 507 audit hours, and a draft audit report is under review.	March 31, 2009
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are performing close-out audits for the four City Councilmembers and the City Attorney that left office. We are also conducting five close-out audits for other City officials. We have used approximately 125 audit hours, and we estimate an additional 195 hours will be needed.	April 10, 2009
<b>Real Estate Assets-Qualcomm Stadium Administration Audit</b>	The objective of this audit is to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City. Fieldwork is nearly completed. We have used approximately 607 audit hours, and a draft audit report is under review.	April 10, 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Water / Metropolitan Wastewater Department Contract Audit</b>	The objective of this audit is to determine if vendors are in compliance with contract terms. We have used approximately 89 audit hours, and we estimate an additional 111 hours will be needed.	April 10, 2009
<b>Park and Recreation - Recreation Facilities Operations Audit</b>	The objective of this audit is to determine if Park and Recreation's recreation facilities are properly collecting and accounting for fees. We have used approximately 297 audit hours, and we estimate an additional 183 hours will be needed.	April 17, 2009
<b>San Diego Housing Commission Audit</b>	The objective of this audit is to determine if the San Diego Housing Commission has sound procurement and executive compensation practices. We will also review their development and asset management program. We have used approximately 856 audit hours, and we estimate an additional 200 hours will be needed.	April 17, 2009
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the department's procedures. We completed the audit of the contracts associated with the debris removal program to clear homes destroyed in the wildfires within the scope of this audit. We are now auditing the Citywide purchasing and contracting procedures. We have used approximately 1,593 audit hours to date and we estimate an additional 246 audit hours will be needed.	May 8, 2009

**Current Audits and Activities (Continued):**

Audit Activity	Status	Target Completion Date
<b>Audit of Internal Control Remediations</b>	The objective of this audit is to test and verify management's remediation efforts to correct weaknesses identified in the Kroll Report, external auditors' reports and the Internal Auditor's reports. We have used approximately 1,937 audit hours, and we estimate an additional 503 hours will be needed. We have tested 78% of the items reported remediated as of December 31, 2007.	May 8, 2009
<b>Centre City Economic Development Corporation (CCDC) Audit</b>	Sjoberg Evashenk Consulting, Inc has been awarded the contract to conduct a performance audit of CCDC. Audit fieldwork is in progress.	June 15, 2009
<b>General Services - Streets Division Roadways Audit</b>	The objective of this audit is to determine if the City streets are being efficiently and effectively maintained by the City. This audit is in the planning stage. We have used approximately 2 audit hours to date and we estimate an additional 598 audit hours will be needed.	June 30, 2009
<b>San Diego Convention Center Corporation Audit</b>	A firm has been selected by the Technical Evaluation Committee to conduct the audit, and the necessary approvals are being sought to finalize the contract.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are to: (a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. Approximately 938 audit hours have been used for this review, and we estimate an additional 992 hours will be needed.	TBD
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. Approximately 25 hours were spent participating in various DPWG meetings during the month.	On-going
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. We prepare reports for the calls that are personnel related and they are reviewed at biweekly hotline intake committee meetings by Labor Relations and the Personnel Department. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline Reports on any allegations that are substantiated. During the month of February 2009, there were approximately two new hotline calls received. We have spent approximately 678 hours investigating calls this fiscal year.	On-going

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Follow-up on Previously Issued Audit Reports – San Diego Data Processing Corporation</b>	We are performing a follow-up audit on the recommendations made to the San Diego Data Processing Corporation in an audit report issued in 2004. We have used approximately 194 audit hours and we estimate an additional 120 audit hours will be needed.	On-going
<b>Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09</b>	We have created a database to track all of our audit recommendations made since FY08. We will be sending memos to City Departments that were issued audit reports to determine their status of implementing the audit recommendations made.	On-going
<b>Selection Process to Hire an Outside Audit Firm to Conduct the City's Financial Statement Audits</b>	We are working with the City's Audit Committee, IBA staff, and Purchasing and Contracting Department to hire an outside auditor to conduct the City's financial statement audits for FY2009 through FY2013. The Request for proposal was issued on February 27, 2009.	On-going

**Planned Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements.	600
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements.	800
<b>Risk Management - Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements.	800
<b>City Treasurer - Parking Meter Operations Audit</b>	The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled.	600
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance.	400



**Planned Audits Not Yet Started (Continued):**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>Annual Central Stores Inventory Audit FY09</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory.	80 (FY09) 160 (FY10)

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor